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United States Senate

COMMITTEE ON APPROPRIATIONS

WASHINGTON, DC 20510-6025

<http://appropriations.senate.gov>

March 22, 2006

J. KEITH KENNEDY, STAFF DIRECTOR
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The Honorable Mark W. Everson
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, D.C. 20224

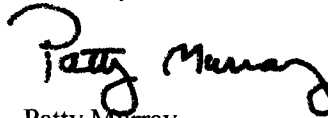
Dear Commissioner Everson:

I write to express my disappointment and dismay over your proposed regulations regarding the privacy of taxpayer information. These regulations seek to revise Section 7216 of the Internal Revenue Code. This section of the code is of critical importance to all taxpayers since it is designed to protect their personal financial information against misuse and dissemination by companies that prepare their tax returns. Unfortunately, rather than providing the kind of protections that taxpayers want and deserve, your draft regulations fail to clamp down on existing opportunities for abuse and, in certain sections, actually expand the likelihood that taxpayers will unknowingly release personal information regarding their tax returns, either with the swipe of a pen or the click of a mouse.

Your new proposal ostensibly seeks to update regulations that date back to 1974 for the purpose of making them applicable to the modern day. Indeed, among the many things that have changed since 1974 has been the advent of many new sophisticated direct marketing techniques -- innovations that have resulted in our citizens being barraged with mail and phone calls for the purpose of selling them any number of products. These new marketing techniques feed on personal data from a vast array of sources to better target their customers. They also include new sophisticated methods to get consumers to sign away their limited privacy rights. Rather than updating your regulations to crack down on methods that result in taxpayer data ending up in the hands of marketers, your regulations allow them to continue. In fact, in one glaring instance, you actually expand greatly the opportunity for tax preparation companies to market unrelated products to their clients.

Mr. Commissioner, what possible public purpose is served by expanding the opportunities for tax preparers and their affiliates to use personal financial data to sell mortgages, mutual funds, IRA accounts and life insurance? Don't taxpayers already have innumerable opportunities to shop for such services without subjecting their tax returns to perusal by marketers? Who specifically asked you or your staff for this regulatory change and when did they ask for it? And, most importantly, how is this change consistent with the purpose of Section 7216 of the code? I hope and expect that you will be prepared to answer these and related questions in detail during our subcommittee's hearing on April 27th. In the meantime, I implore you to revise these regulations with a mind toward protecting the privacy interests of taxpayers, not just those that want to use taxpayers' financial data for marketing purposes.

Sincerely,



Patty Murray
Ranking Member

Subcommittee on Transportation, Treasury, the Judiciary,
Housing and Urban Development, and Related Agencies